

VILLAGE OF LENNON
SHIAWASSEE & GENESEE CO., MI
ANNUAL FINANCIAL STATEMENTS
AND AUDITOR'S REPORT

JUNE 30, 2008

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VILLAGE OF LENNON
LIST OF TOWNSHIP OFFICIALS
JUNE 30, 2008

Montgomery Pierce	President
William Sprague	Clerk
Gayle Raymond	Treasurer
Larry Widigan	Trustee
Lori Grumley	Trustee
Ralph Hodges	Trustee
Wade Alderman	Trustee
Amy Robinson	Trustee
Barbara Baker-Omerod	Trustee



DEMIS and WENZLICK, P.C.

Certified Public Accountants

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Dean Roach
Vicki Schuler
Joyce Simmons
Barbara Wenzlick
Bruce Wenzlick

INDEPENDENT AUDITOR'S REPORT

Village of Lennon
Members of the Village Council
Shiawassee County & Genesee County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, major funds and the aggregate remaining fund information of Village of Lennon as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, major funds, and the aggregate remaining fund information of the Village of Lennon as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Lennon's basic financial statements. The introductory section and the other supplemental information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Demis and Wenzlick, P.C.

Certified Public Accountants

Owosso, Michigan
December 22, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

VILLAGE OF LENNON, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
JUNE 30, 2008

The following is a discussion and analysis of Village of Lennon, Michigan's (the Village's) financial performance and position, providing an overview of the activities for the year ended June 30, 2008. This analysis should be read in conjunction with the Independent Auditors' Report and with the Village's financial statements, which follow this section. The fiscal year ended June 30, 2008, represents the first year the Village has reported under the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as amended by GASB Statement No. 37 Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments – Omnibus and Statement No. 38 Certain Financial Statement Note Disclosures. Therefore, this discussion and analysis does not provide comparisons with previous years.

FINANCIAL HIGHLIGHTS

The unrestricted net assets of the Village of Lennon's governmental activities exceed its liabilities at the close of the current fiscal year by \$187,179 which may be used to meet the Village's ongoing obligations to citizens and creditors.

Additionally, the Village governmental funds reported an ending fund balance of \$158,770, which is \$15,366 increase from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary and additional information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Village's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., delinquent personal property taxes).

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2008

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes, special assessments and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, public works, health and welfare, community and economic development, culture and recreational and other functions.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statement focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statement. By doing so, readers may better understand the long-term impact of the government's near term financial decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund, and Ambulance Fund which are considered to be major funds. Data from the other governmental funds if any, are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds if any, is elsewhere in this report.

The Village adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for the general fund in the required supplementary information and for the special revenue funds in the additional information to demonstrate compliance with budgets.

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2008

Proprietary Funds. The Village has one type of proprietary fund new this fiscal year. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprises funds to account for its sewer activities.

Notes to the Financial Statements. The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the Village's general fund and special revenue budget.

Government-Wide Financial Analysis

As noted earlier, net asset may serve, over time, as a useful indicator of government's financial position. In the case of the Village, governmental assets exceeded liabilities by \$254,283 at the close of the most recent fiscal year. Business-type activities assets exceeded liabilities by \$193,101.

By far the largest portion of the Village's net assets (88 percent) reflects its investment in capital assets (e.g., land, building, machinery, infrastructure, and equipment); less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Village as a Whole

The following table shows, in a condensed format, the net assets of the Village as of June 30, 2008:

Current Assets	\$207,815
Capital Assets	<u>392,140</u>
Total Assets	<u>\$599,955</u>
Current Liabilities	\$118,038
Long-Term Liabilities	<u>392,140</u>
Total Liabilities	<u>\$152,571</u>
Net Assets	<u>\$447,384</u>

BASIC FINANCIAL STATEMENTS

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Primary Government</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash & Cash Equivalents	\$ 58,336	\$ 17,814	\$ 76,150
Accounts Receivable	8,612	25,651	34,263
Due from Other Funds	<u>97,402</u>	<u> </u>	<u>97,402</u>
TOTAL CURRENT ASSETS	\$164,350	\$ 43,465	\$207,815
NON-CURRENT ASSETS			
Capital Assets – Net	<u>\$130,046</u>	<u>\$262,094</u>	<u>\$392,140</u>
TOTAL NON-CURRENT ASSETS	<u>\$130,046</u>	<u>\$262,094</u>	<u>\$392,140</u>
TOTAL ASSETS	<u>\$294,396</u>	<u>\$305,559</u>	<u>\$599,955</u>
LIABILITIES			
Accounts Payable	\$ 3,776	\$ 15,056	\$ 18,832
Payroll Taxes Payable	1,804		1,804
Due to Other Funds	<u> </u>	<u>97,402</u>	<u>97,402</u>
TOTAL CURRENT LIABILITIES	\$ 5,580	\$112,458	\$118,038
NON-CURRENT LIABILITIES			
Due Within One Year	\$ 17,014	\$	\$ 17,014
Due in More than One Year	<u>17,519</u>	<u> </u>	<u>17,519</u>
TOTAL NON-CURRENT LIABILITIES	<u>\$ 34,533</u>	<u>\$</u>	<u>\$ 34,533</u>
NET ASSETS	<u>\$254,283</u>	<u>\$193,101</u>	<u>\$447,384</u>
Invested in Capital Assets, Net of Related Debt	\$ 95,513	\$164,692	\$260,205
Unreserved	<u>158,770</u>	<u>28,409</u>	<u>187,179</u>
TOTAL NET ASSETS	<u>\$254,283</u>	<u>\$193,101</u>	<u>\$447,384</u>

See accompanying notes to financial statements.

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	<u>Program Revenues</u>		<u>Net (Expenses) Revenues And Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Gov't Activities</u>	<u>Business- Type Activities</u>	<u>Totals</u>
FUNCTIONS/PROGRAMS					
PRIMARY GOVERNMENT					
Governmental Activities:					
General Gov't.	\$ 57,396	\$ 4,911	\$ (52,485)	\$	\$ (52,485)
Public Safety	84,652		(84,652)		(84,652)
Public Works	35,182		(35,182)		(35,182)
Recreation & Culture	<u>3,473</u>		<u>(3,473)</u>		<u>(3,473)</u>
TOTAL GOV'T ACTIVITIES	\$180,703	\$ 4,911	\$(175,792)	\$	\$(175,792)
Business-Type Activities:					
Sewer	\$ <u>75,583</u>	\$ <u>75,634</u>	\$ _____	\$ <u>51</u>	\$ <u>51</u>
TOTAL BUSINESS-TYPE ACTIVITIES	\$ _____	\$ _____	\$ _____	\$ <u>51</u>	\$ <u>51</u>
TOTAL PRIMARY GOV'T.			\$(175,792)	\$ 51	\$(175,741)
General Revenues:					
Property Taxes			\$ 97,720	\$	\$ 97,720
State Shared Revenues/Act 51 Street Funds			82,868		82,868
Unrestricted Investment Earnings			752	39	791
Miscellaneous Other Revenues/Rentals			<u>8,679</u>		<u>8,679</u>
TOTAL GENERAL REVENUES			\$ 190,019	\$ 39	\$ 190,058
Change in Net Assets – Unreserved			\$ 14,227	\$ 90	\$ 14,317
Net Assets – July 1, 2007			<u>240,056</u>	<u>193,011</u>	<u>433,067</u>
NET ASSETS – ENDING JUNE 30, 2008			<u>\$ 254,283</u>	<u>\$193,101</u>	<u>\$ 447,384</u>

See accompanying notes to financial statements.

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>General</u>	<u>Special Revenue Funds</u>	<u>Revolving Imp. Fund</u>	<u>Total Gov't Funds</u>
ASSETS:				
Cash & Cash Equiv.	\$ 30,405	\$25,688	\$ 2,243	\$ 58,336
Due from Other Funds	78,802		18,600	97,402
Accounts Receivable	<u>8,612</u>	<u> </u>	<u> </u>	<u>8,612</u>
TOTAL ASSETS	<u>\$117,819</u>	<u>\$25,688</u>	<u>\$20,843</u>	<u>\$164,350</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts Payable	\$ 2,905	\$ 871	\$	\$ 3,776
Payroll Taxes Payable	<u>1,804</u>	<u> </u>	<u> </u>	<u>1,804</u>
TOTAL LIABILITIES	\$ 4,709	\$ 871	\$	\$ 5,580
FUND BALANCES:				
Unreserved	<u>\$113,110</u>	<u>\$24,817</u>	<u>\$20,843</u>	<u>\$158,770</u>
TOTAL FUND BALANCE	<u>\$113,110</u>	<u>\$24,817</u>	<u>\$20,843</u>	<u>\$158,770</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$117,819</u>	<u>\$25,688</u>	<u>\$20,843</u>	<u>\$164,350</u>

See accompanying notes to financial statements.

VILLAGE OF LENNON, MICHIGAN
 SHIAWASSEE & GENESEE COUNTY, MICHIGAN
 RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
 FOR GOVERNMENTAL FUNDS TO NET ASSETS OF
 GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS
 JUNE 30, 2008

Fund Balances – Total Governmental Funds	\$158,770
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add: Capital Assets	273,967
Deduct: Accumulated Depreciation	(143,921)
Long-term liabilities are not due and payable in current period and therefore are not reported in the governmental fund balance sheet	
Long-term liabilities at year end consist of:	
Note Payable – Building	(21,500)
Lease Payable – DPW Truck	<u>(13,033)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$254,283</u>

See accompanying notes to financial statements.

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Revolving Improvement</u>	<u>Total Gov't Funds</u>
REVENUES:				
Property Taxes – Special Assessments	\$ 97,720	\$	\$	\$ 97,720
Licenses & Permits	4,911			4,911
State Shared Revenues/Street Funds	48,879	33,989		82,868
Interest	684	58	10	752
Miscellaneous Other Revenues	<u>15,179</u>			<u>15,179</u>
TOTAL REVENUES	\$167,373	\$34,047	\$ 10	\$201,430
EXPENDITURES:				
General Government	\$ 68,164	\$	\$	\$ 68,164
Public Safety	80,196			80,196
Public Works	7,824	25,665		33,489
Recreation & Culture	3,473			3,473
Capital Outlay	<u>742</u>			<u>742</u>
TOTAL EXPENDITURES	\$160,399	\$25,665	\$	\$186,064
REVENUES OVER (UNDER) EXPENDITURES	\$ <u>6,974</u>	\$ <u>8,382</u>	\$ <u>10</u>	\$ <u>15,366</u>
Net Changes in Fund Balances	\$ 6,974	\$ 8,382	\$ 10	\$ 15,366
Fund Balance July 1, 2007	<u>106,136</u>	<u>16,435</u>	<u>20,833</u>	<u>143,404</u>
FUND BALANCE JUNE 30, 2008	<u>\$113,110</u>	<u>\$24,817</u>	<u>\$20,843</u>	<u>\$158,770</u>

See accompanying notes to financial statements.

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Net Change in Fund Balances – Total Governmental Funds	\$15,366
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Amount reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: Capital Outlay	742
Deduct: Depreciation Expense	(18,429)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consists of:

Loan Principal Retirement	<u>16,548</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$14,227</u>
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See accompanying notes to financial statements.

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

		Business-Type Activities <u>Enterprise Funds</u> <u>Sewer</u>
ASSETS:		
Current Assets:		
Cash & Cash Equivalents		\$ 17,814
Assessments Receivable – Current		360
Accounts Receivable		<u>25,291</u>
TOTAL CURRENT ASSETS		\$ <u>43,465</u>
PROPERTY, PLANT AND EQUIPMENT:		
Sewer System	\$581,011	
Accumulated Depreciation	<u>(318,917)</u>	<u>262,094</u>
TOTAL ASSETS		<u>\$305,559</u>
LIABILITIES:		
Current Liabilities:		
Accounts Payable		\$ 15,056
Due to Other Funds		<u>97,402</u>
TOTAL CURRENT LIABILITIES		\$112,458
NET ASSETS:		
Unrestricted		<u>\$193,101</u>
TOTAL NET ASSETS		<u>\$305,559</u>

See accompanying notes to financial statements.

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	Business-Type Activities <u>Enterprise Funds</u> <u>Sewer</u>
OPERATING REVENUES:	
Sewer Fees	\$ 73,648
Interest on Tap-in Fees	40
Sewer Penalties	1,802
Interest Income & Miscellaneous Other	39
Tap-in Fees	<u>144</u>
TOTAL OPERATING REVENUES	\$ 75,673
OPERATING EXPENSES:	
Administrative Wages	\$ 487
Social Security	37
Bank Charges & Miscellaneous	614
Maintenance – WWS	62,825
Depreciation	<u>11,620</u>
TOTAL OPERATING EXPENSES	\$ <u>75,583</u>
NET INCOME (LOSS)	\$ 90
OTHER SOURCES (USES) OF FUNDS:	
Transfer In	<u> </u>
NET INCOME AFTER OTHER SOURCES (USES) OF FUNDS	\$ 90
Retained Earnings July 1, 2007	<u>193,011</u>
RETAINED EARNINGS JUNE 30, 2008	<u>\$193,101</u>

See accompanying notes to financial statements.

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	Business-Type Activities <u>Enterprise Funds</u> <u>Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipt from Customer	\$64,560
Payment to Suppliers	<u>(59,585)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 4,975
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	\$ 4,975
CASH & CASH EQUIVALENTS – BEGINNING OF YEAR	<u>12,839</u>
CASH & CASH EQUIVALENTS – END OF YEAR	<u>\$17,814</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ 90
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	11,620
Change in Assets & Liabilities:	
Receivables	(9,875)
Accounts Payable	<u>3,140</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 4,975</u>

See accompanying notes to financial statements.

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Lennon conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

The more significant of the government's accounting policies are described below:

A – REPORTING ENTITY

The Village of Lennon is governed by an elected nine member board. The accompanying financial statements include the accounts of all Village operations. The Village's major operations include planning and zoning, street maintenance, street lighting, cultural and recreational services, public safety services and general administration.

B – GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrate the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a special function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, or privilege provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C – MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C – MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT
PRESENTATION (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures relating to compensating absences, and claims and judgments are recorded only when payment is due.

Those revenue susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Sales taxes collected and held by the state at year end on behalf of the government also are recognized as revenue. Fines, permits, and parking meter revenues are not susceptible to accrual accounting. However, debt service expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Village reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Revolving Improvement Fund – This capital project fund is used to account for monies set aside to provide for expenditures in connection with service expansions resulting from growth of the Village.

Major Street - The Major Street Fund is used to receive all monies received from the State, to receive all monies received from special tax levies for street improvements, and to account for construction, maintenance and other authorized operations to all streets classified as Major Streets.

The Village reports the following non-major governmental funds:

Local Street Fund – Local Street Fund is used to receive all Local Street monies paid to the Village by the state, to account for monies received from special tax levies for street improvement purposes, to account for monies received from General Fund contributions and to account for construction, maintenance and other authorized operations to all streets classified as Local streets.

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C – MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT
PRESENTATION (CONTINUED)

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, a nonexpendable trust fund or "expendable" trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the government is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the government holds on behalf of others as their agents.

The Village of Lennon had no fiduciary type funds at June 30, 2008.

D – ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Cash and Investments – The Village has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of 3 months or less when acquired.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds" activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide financial statements.

Restricted Assets – Certain revenue bonds of the Enterprise Funds require amounts to be set aside for bond reserve. These amounts have been classified as restricted investments.

Capital Assets – Capital asset, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Village began recording governmental infrastructure constructed on or after July 1, 2003 as followed by GASB 34.

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2008

D – ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (CONTINUED)

Property, plant and equipment is depreciated using the straight-line method over the following useful lives.

Land Improvements	10 to 20 years
Building and Building Improvements	20 to 40 years
Utility Systems	25 to 75 years
Streets	20 years
Other Infrastructure	20 to 40 years
Vehicles	5 to 10 years
Machinery and Equipment	5 to 10 years

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E – USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

F – BUDGETS AND BUDGETARY ACCOUNTING

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation – is not utilized in the governmental funds. Encumbrances outstanding at year end are not reported as reservations of fund balances and also not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F – BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, budget committee submits to the Village Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in the Village to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through board approval.
4. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.

G – SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, transactions occur between individual funds for services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

H – COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability on the governmental fund that will pay for it. Amounts of vested or accumulated vacation leave that are not expected to be liquid with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for those amounts. In accordance with the provisions reported in the general long-term debt account group. No expenditure is reported for those amounts. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Under the Consolidated Omnibus Budgeting Reconciliation Act (COBRA) certain requirements are outline for health insurance coverage of former employees and eligible dependents. The Village does not have health insurance coverage for its employees, therefore, there are no post-employment health care benefits.

The Village does not have a pension plan.

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I – PROPERTY TAXES

Property taxes attach an enforceable lien on property by the county. Taxes are levied on June 30, and payable on September 15. The Village bills and collects its own property taxes. Property tax revenues are recognized when levied to the extent that they result in current receivables. The Village is permitted by the Municipal Finance Law of the State to levy taxes up to 15 mills total. The Village Council has allocated 8.9223 mills for governmental services.

NOTE 2 – LEGAL COMPLIANCE BUDGETS

Before the beginning of each fiscal year, the proposed budget is presented to the board for review. The government's board holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available or the revenue estimates must be changed by an affirmative vote of a majority of the board.

Expenditures may not legally exceed budgeted appropriation. The original general fund was amended during the year. The final amended budget is included in the financial statements.

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the account of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The local Government Unit Board has designated one bank for the deposit of the Local Unit 's funds. The investment policy adapted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CD's but not the remainder of State statutory authority as listed above.

The Village deposits consist of interest bearing checking and savings accounts. At June 30, 2008, the carrying amount of the Village's deposit was \$76,140. Of the bank balance \$77,146 was covered by Federal Depository Insurance and \$76,140 was insured. Michigan Law does not require collateralization of government deposits.

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2008

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

The Village's investment at June 30, 2008, consisted of cash and certificates of deposit at one financial institution.

	<u>Amount</u>	<u>FDIC Insured</u>	<u>Uninsured</u>
Checking	\$ 5,098	\$ 5,098	\$ -0-
Savings – Time	<u>71,043</u>	<u>71,043</u>	<u>-0-</u>
	<u>\$76,141</u>	<u>\$ 76,141</u>	<u>\$ -0-</u>

As of October 2008 through December of 2009 the FDIC deposit insurance increased to \$250,000 for demand accounts and \$250,000 for time accounts per each governmental unit.

NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in the general fixed assets account group during the fiscal year.

	<u>Balance 07-01-07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06-30-08</u>
Primary Government:				
Governmental Activities:				
Capital Assets, not being depreciated				
Land	\$ <u>2,500</u>	\$ _____	\$ _____	\$ <u>2,500</u>
Capital Assets, being depreciated:				
Buildings	\$154,785	\$	\$	\$154,785
Equipment	50,536			50,536
Infrastructure	16,746			16,746
Office Equipment & Furn.	22,708			22,708
Police Equipment	<u>25,950</u>	<u>742</u>	_____	<u>26,692</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	\$270,725	\$ 742	\$	\$271,467

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2008

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	<u>Balance</u> <u>07-01-07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06-30-08</u>
Less Accumulated Depreciation for:				
Buildings	\$ 69,151	\$ 4,020	\$	\$ 73,171
Equipment	24,575	7,356		31,931
Infrastructure	2,093	837		2,930
Office Equipment & Furn.	15,710	1,760		17,471
Police Equipment	<u>13,962</u>	<u>4,456</u>	<u> </u>	<u>18,418</u>
TOTAL ACCUMULATED DEPRECIATION	<u>\$125,491</u>	<u>\$ 18,429</u>	<u>\$ _____</u>	<u>\$143,920</u>
Total Capital Assets, being Depreciated, Net	<u>145,234</u>	<u>(17,689)</u>	<u>_____</u>	<u>127,545</u>
TOTAL	<u>\$147,734</u>	<u>\$(17,689)</u>	<u>\$ _____</u>	<u>\$130,045</u>
BUSINESS-TYPE ACTIVITIES:				
CAPITAL ASSETS BEING DEPRECIATED:				
Sewer System	<u>\$581,011</u>	\$ _____	\$ _____	<u>\$581,011</u>
CAPITAL ASSETS BEING DEPRECIATED	<u>\$581,011</u>	\$ _____	\$ _____	<u>\$581,011</u>
LESS ACCUMULATED DEPRECIATION FOR:				
Sewer System	<u>\$307,297</u>	\$ <u>11,620</u>	\$ _____	<u>\$318,917</u>
ACCUMULATED DEPREC.	<u>\$307,297</u>	\$ <u>11,620</u>	\$ _____	<u>\$318,917</u>
Net Capital Assets being Depreciated	<u>\$273,714</u>	<u>\$(11,620)</u>	\$ _____	<u>\$262,094</u>
BUSINESS-TYPE CAPITAL ASSETS, NET	<u>\$273,714</u>	<u>\$(11,620)</u>	<u>\$ _____</u>	<u>\$262,094</u>

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 5,780
Public Works	8,193
Public Safety	<u>4,456</u>
TOTAL DEPRECIATION – GOVERNMENTAL ACTIVITIES	<u>\$18,429</u>
Business-Type Activities:	
Capital Assets being Depreciated:	
Sewer System	<u>\$11,620</u>
TOTAL DEPRECIATION – BUSINESS-TYPE ACTIVITIES	<u>\$11,620</u>

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2008, individual interfund receivables and payables were:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$78,802	\$
Sewer Fund		97,402
Revolving & Improvement	<u>18,600</u>	
	<u>\$97,402</u>	<u>\$97,402</u>

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2008

NOTE 6 – GENERAL LONG-TERM DEBT

On June 9, 2003, the Village entered into an agreement with Venice Township to purchase the Township's former fire hall. The purchase price is \$75,250 to be paid in seven equal installments of \$10,750. The first payment is to be July 1, 2003 and annually thereafter. This is a non-interest bearing contract.

The annual principal requirements are as follows:

2008	\$10,750
2009	<u>10,750</u>
	<u>\$21,500</u>

During March 2006, the Village entered into a lease/purchase agreement with GMAC for a 2006 GMC Sierra pickup truck to be used by the DPW. The lease calls for five payments of \$7,313.54 including interest at 8.05%. The first payment was made on March 6, 2006. The annual principal and interest requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 6,264.38	\$1,049.16	\$ 7,313.54
2010	<u>6,768.66</u>	<u>544.88</u>	<u>7,313.54</u>
	<u>\$13,033.04</u>	<u>\$1,594.04</u>	<u>\$14,627.08</u>

NOTE 7 – RISK MANAGEMENT

The Village is exposed to various risks of loss related property loss, torts, errors, omissions and employee injuries (workers' compensation). The Village has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2008

NOTE 8 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18 (a), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated.

In the body of the financial statements, the Village actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Village for the budgetary funds were adopted to the line item level.

During the year ended June 30, 2008, the Village incurred expenditures in certain budgetary line items which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Appropriated</u>	<u>Actual</u>	<u>Actual Over Appropriated</u>
General Fund: Village Council	\$45,250	\$50,954	\$ 5,704

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>			Actual (Over) Under
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES:				
Taxes & Penalties	\$ 96,600	\$ 93,000	\$ 97,720	\$ (4,720)
Licenses & Permits	5,652	4,640	4,911	(271)
Shared Revenue	53,758	46,300	48,879	(2,579)
Interest	769	650	684	(34)
Other Revenue/Rents/Refunds	<u>8,363</u>	<u>8,600</u>	<u>15,179</u>	<u>(6,579)</u>
TOTAL REVENUES	\$165,142	\$153,190	\$167,373	\$(14,183)
EXPENDITURES:				
Current:				
General Government	\$ 61,967	\$ 64,742	\$ 68,906	\$ (4,164)
Public Safety	92,380	92,500	80,196	12,304
Public Works	7,500	7,900	7,824	76
Recreation & Culture	<u>3,270</u>	<u>3,500</u>	<u>3,473</u>	<u>27</u>
TOTAL EXPENDITURES	\$ <u>165,117</u>	\$ <u>168,642</u>	\$ <u>160,399</u>	\$ <u>8,243</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ <u>25</u>	\$ <u>(15,452)</u>	\$ <u>6,974</u>	\$ <u>(22,426)</u>
Net Change in Fund Balance	\$ 25	\$(15,452)	\$ 6,974	\$(22,426)
Fund Balance – Beginning	<u>106,136</u>	<u>106,136</u>	<u>106,136</u>	<u> </u>
FUND BALANCE – ENDING	\$ <u>106,161</u>	\$ <u>90,684</u>	\$ <u>113,110</u>	\$ <u>(22,426)</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR STREET FUND
YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	(Over) Under Final Budget
	<u>Original</u>	<u>Amended</u>		
REVENUES:				
Motor Vehicle Highway Funds	\$28,577	\$28,577	\$21,947	\$ 6,630
Interest Income	<u>50</u>	<u>8</u>	<u>9</u>	<u>(1)</u>
TOTAL REVENUES	\$28,627	\$28,585	\$21,956	\$ 6,629
EXPENDITURES:				
Highways & Streets	<u>\$28,385</u>	<u>\$28,385</u>	<u>\$17,658</u>	<u>\$10,727</u>
TOTAL EXPENDITURES	\$28,385	\$28,385	\$17,658	\$10,727
EXCESS OF REVENUES OVER EXPENDITURES	\$ 242	\$ 200	\$ 4,298	\$(4,098)
OTHER FINANCING SOURCES (USES):				
Transfers Out	_____	_____	_____	_____
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES & OTHER FINANCING SOURCES	\$ 242	\$ 200	\$ 4,298	\$(4,098)
Fund Balance July 1, 2007	<u>450</u>	<u>450</u>	<u>450</u>	_____
FUND BALANCE JUNE 30, 2008	\$ <u>692</u>	\$ <u>650</u>	\$ <u>4,748</u>	\$ <u>(4,098)</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
LOCAL STREET FUND
YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual (Over) Under Final Budget
	<u>Original</u>	<u>Amended</u>		
REVENUES:				
Motor Vehicle Highway Funds	\$12,040	\$12,040	\$12,042	\$ (2)
Interest Income	<u>35</u>	<u>35</u>	<u>49</u>	<u>(14)</u>
TOTAL REVENUES	\$12,075	\$12,075	\$12,091	\$ (16)
EXPENDITURES:				
Highways & Streets	<u>\$15,104</u>	<u>\$15,104</u>	<u>\$ 8,007</u>	<u>\$ 7,097</u>
TOTAL EXPENDITURES	\$15,104	\$15,104	\$ 8,007	\$ 7,097
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (3,029)	\$ (3,029)	\$ 4,084	\$(7,113)
OTHER FINANCING SOURCES:				
Transfers In	<u> </u>	<u> </u>	<u> </u>	<u> </u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES & OTHER FINANCING SOURCES (USES)	\$ (3,029)	\$ (3,029)	\$ 4,084	\$(7,113)
Fund Balance July 1, 2007	<u>15,985</u>	<u>15,985</u>	<u>15,985</u>	<u> </u>
FUND BALANCE JUNE 30, 2008	<u>\$12,956</u>	<u>\$12,956</u>	<u>\$20,069</u>	<u>\$(7,113)</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
REVOLVING IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual (Over) Under Final Budget
	<u>Original</u>	<u>Amended</u>		
REVENUES:				
Interest Income	\$ _____	\$ _____	\$ <u>10</u>	\$ <u>(10)</u>
TOTAL REVENUES	\$ _____	\$ _____	\$ <u>10</u>	\$ <u>(10)</u>
EXPENDITURES:				
Bank Fees	\$ _____	\$ _____	\$ _____	\$ _____
EXCESS OF REVENUES OVER EXPENDITURES (EXPENDITURES OVER REVENUES)	\$ _____	\$ _____	\$ <u>10</u>	\$ <u>(10)</u>
Fund Balance July 1, 2007			<u>20,833</u>	
FUND BALANCE JUNE 30, 2008			<u>\$20,843</u>	

The accompanying notes are an integral part of the financial statements.

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
OTHER SUPPLEMENTAL INFORMATION
BALANCE SHEET
JUNE 30, 2008

GENERAL FUND

ASSETS

Cash	\$ 30,405
Due from Other Funds	78,802
Accounts Receivable	<u>8,612</u>
	<u>\$117,819</u>

LIABILITIES AND FUND BALANCE

Accounts Payable	\$ 2,905
Payroll Taxes Payable	1,804
Fund Balance	<u>113,110</u>
	<u>\$117,819</u>

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
OTHER SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2008

GENERAL FUND

	<u>Budget</u>	<u>Actual</u>	Actual (Over) Under <u>Budget</u>
REVENUES:			
Current Property Taxes	\$ 93,000	\$ 97,720	\$ (4,720)
State Shared Revenue	46,300	48,879	(2,579)
Licenses, Permits, Fines	4,640	4,911	(271)
Interest Income	650	684	(34)
Cable TV	8,400	14,983	(6,583)
Other Income	<u>200</u>	<u>196</u>	<u>4</u>
TOTAL REVENUES	<u>\$153,190</u>	<u>\$167,373</u>	<u>\$(14,183)</u>
EXPENDITURES:			
Village Council:			
Salaries	\$	\$ 3,000	\$
Social Security		235	
Supplies & Misc.		15,917	
Legal & Accounting		9,689	
Insurance		2,347	
Publishing		1,702	
Principal Payment-LTD		<u>18,064</u>	
TOTAL VILLAGE COUNCIL	<u>\$ 45,250</u>	<u>\$ 50,954</u>	<u>\$ (5,704)</u>
Clerk:			
Salary	\$	\$ 5,355	\$
Social Security		410	
Insurance, Mileage & Misc.		<u>129</u>	
TOTAL CLERK	<u>\$ 6,086</u>	<u>\$ 5,894</u>	<u>\$ 192</u>
Treasurer:			
Salary	\$	\$ 6,360	\$
Travel & Miscellaneous		10	
Social Security		<u>486</u>	
TOTAL TREASURER	<u>\$ 7,111</u>	<u>\$ 6,856</u>	<u>\$ 255</u>

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
OTHER SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES
IN FUND BALANCE COMPARED TO BUDGET (CONTINUED)
YEAR ENDED JUNE 30, 2008

GENERAL FUND

	<u>Budget</u>	<u>Actual</u>	Actual (Over) Under <u>Budget</u>
EXPENDITURES:			
Hall & Grounds:			
Maintenance Salaries/FICA	\$	\$ 1,009	\$
Supplies & Maintenance		1,177	
Insurance		153	
Utilities		<u>2,139</u>	
TOTAL HALL & GROUNDS	\$ 5,295	\$ 4,478	\$ 817
 Police:			
Salary	\$	\$ 49,732	\$
Payroll Taxes		4,695	
Insurance		6,799	
Gas & Oil		2,085	
Supplies & Miscellaneous		4,963	
Maintenance		3,098	
Utilities		<u>4,876</u>	
TOTAL POLICE	\$ 88,500	\$ 76,248	\$ 12,252
 Building Inspector:			
Salaries	\$	\$ 3,589	\$
Social Security		271	
Insurance		<u>88</u>	
TOTAL BUILDING INSPECTOR	\$ 4,000	\$ 3,948	\$ 52
 Public Utilities:			
Street Lights	\$	\$ 7,824	\$
TOTAL PUBLIC UTILITIES	\$ 7,900	\$ 7,824	\$ 76
 Elections:			
Election Expense	\$	\$ 724	\$
TOTAL ELECTION	\$ 1,000	\$ 724	\$ 276

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
OTHER SUPPLEMENTAL INFORMATION'
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE COMPARED TO BUDGET (CONTINUED)
JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	Actual (Over) Under <u>Budget</u>
Library:			
Salaries & Maintenance	\$	\$ 943	\$
Insurance		153	
Utilities		1,503	
Social Security		65	
Supplies		<u>809</u>	
TOTAL LIBRARY	\$ 3,500	\$ 3,473	\$ <u>27</u>
 TOTAL EXPENDITURES	 \$ <u>168,642</u>	 \$ <u>160,399</u>	 \$ <u>8,243</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 \$(<u>15,452</u>)	 \$ <u>6,974</u>	 \$(<u>22,426</u>)
 EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	 \$(<u>15,452</u>)	 \$ 6,974	 \$(<u>22,426</u>)
 Fund Balance July 1, 2007		<u>106,136</u>	
 FUND BALANCE JUNE 30, 2008		<u>\$113,110</u>	

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
JUNE 30, 2008

	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Combined</u>
ASSETS:			
Cash in Bank	<u>\$5,205</u>	<u>\$20,483</u>	<u>\$25,688</u>
	<u>\$5,205</u>	<u>\$20,483</u>	<u>\$25,688</u>
LIABILITIES AND FUND BALANCE:			
Accounts Payable	\$ 457	\$ 414	\$ 871
Fund Balance	<u>4,748</u>	<u>20,069</u>	<u>24,817</u>
	<u>\$5,205</u>	<u>\$20,483</u>	<u>\$25,688</u>

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
OTHER SUPPLEMENTAL INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2008

	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Combined</u>
REVENUES:			
Act 51 Revenues	\$21,947	\$12,042	\$33,989
Interest Income	<u>9</u>	<u>49</u>	<u>58</u>
TOTAL REVENUES	\$21,956	\$12,091	\$34,047
EXPENDITURES:			
Highways & Streets	\$ <u>17,658</u>	\$ <u>8,007</u>	\$ <u>25,665</u>
TOTAL EXPENDITURES	\$17,658	\$ 8,007	\$25,665
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ <u>4,298</u>	\$ <u>4,084</u>	\$ <u>8,382</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES & OTHER FINANCING SOURCES (USES) OF FUNDS	\$ 4,298	\$ 4,084	\$ 8,382
Fund Balance July 1, 2007	<u>450</u>	<u>15,985</u>	<u>16,435</u>
FUND BALANCE JUNE 30, 2008	\$ <u>4,748</u>	\$ <u>20,069</u>	\$ <u>24,817</u>

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
OTHER SUPPLEMENTAL INFORMATION
REVOLVING AND IMPROVEMENT FUND
BALANCE SHEET
JUNE 30, 2008

ASSETS

Cash	\$ 2,243
Due from Sewer Fund	<u>18,600</u>
	<u>\$20,843</u>

FUND BALANCE

Fund Balance	<u>\$20,843</u>
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VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
OTHER SUPPLEMENTAL INFORMATION
REVOLVING AND IMPROVEMENT FUND
STATEMENT OF CASH REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	Actual (Over) Under <u>Budget</u>
REVENUES:			
Interest Income	\$ _____	\$ <u>10</u>	\$ <u>(10)</u>
TOTAL REVENUES	\$ _____	\$ <u>10</u>	\$ <u>(10)</u>
 EXPENDITURES:			
Bank Fees	\$ _____	\$ _____	\$ _____
 EXCESS OF REVENUES OVER EXPENDITURES (EXPENDITURES OVER REVENUES)	\$ _____	\$ <u>10</u>	\$ <u>(10)</u>
 Fund Balance July 1, 2007		<u>20,833</u>	
 FUND BALANCE JUNE 30, 2008		<u>\$20,843</u>	

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
OTHER SUPPLEMENTAL INFORMATION
SANITARY SEWER FUND
BALANCE SHEET
JUNE 30, 2008

ASSETS

CURRENT ASSETS:

Cash in Bank		\$ 17,814
Accounts Receivable		25,291
Special Assessment Receivable		<u>360</u>
TOTAL CURRENT ASSETS		\$ 43,465

PROPERTY, PLANT AND EQUIPMENT:

Sewer System	\$581,011	
Accumulated Depreciation	<u>(318,917)</u>	262,094
TOTAL ASSETS		<u>\$305,559</u>

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES:

Accounts Payable		\$ 15,056
Due to Other Funds		<u>97,402</u>
TOTAL CURRENT LIABILITIES		\$112,458

FUND EQUITY:

Retained Earnings		<u>193,101</u>
TOTAL LIABILITIES & FUND EQUITY		<u>\$305,559</u>

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
OTHER SUPPLEMENTAL INFORMATION
SANITARY SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND
RETAINED EARNINGS BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	Actual (Over) Under <u>Budget</u>
OPERATING REVENUES:			
Sewer Fees	\$ 57,000	\$ 73,648	\$
Interest on Tap-in Fees	25	40	
Sewer Penalties	1,550	1,802	
Interest Income & Misc. Other	13	39	
Tap in Fees	<u>144</u>	<u>144</u>	
TOTAL OPERATING REVENUES	\$ 58,732	\$ 75,673	\$(16,941)
OPERATING EXPENSES:			
Administrative Wages	\$	\$ 487	\$
Social Security		37	
Bank Charges & Miscellaneous		614	
Maintenance – WWS		62,825	
Depreciation		<u>11,620</u>	
TOTAL OPERATING EXPENSES	\$ 71,500	\$ 75,583	\$ (4,083)
NET INCOME (LOSS)	\$(12,768)	\$ 90	\$(12,858)
OTHER SOURCES (USES) OF FUNDS:			
Transfer In	<u> </u>	<u> </u>	<u> </u>
NET INCOME AFTER OTHER SOURCES (USES) OF FUNDS	\$ <u>(12,768)</u>	\$ 90	\$ <u>(12,858)</u>
Retained Earnings July 1, 2007		<u>193,011</u>	
RETAINED EARNINGS JUNE 30, 2008		<u>\$193,101</u>	

VILLAGE OF LENNON, MICHIGAN
SHIAWASSEE & GENESEE COUNTY, MICHIGAN
OTHER SUPPLEMENTAL INFORMATION
STATEMENT OF CASH FLOW
SANITARY SEWER FUND
YEAR ENDED JUNE 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Income (Loss)	\$ 90
Add (Deduct) Items not Affecting Cash:	
Depreciation	11,620
(Increase) in Receivables	(9,875)
(Increase) in Accounts Payable	4,386
(Decrease) in Due to Other Funds/Due Taxpayers	<u>(1,246)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 4,975
 Cash and Cash Equivalents at the Beginning of Year	 <u>12,839</u>
 CASH AND CASH EQUIVALENTS AT END OF THE YEAR	 <u>\$17,814</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash Paid During the Year for:	
Interest	\$ <u>0</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

For purposes of the Statement of Cash Flows, the Village considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

VILLAGE OF LENNON, MICHIGAN
 SHIAWASSEE & GENESEE COUNTY, MICHIGAN
 CONTRACTS PAYABLE – POLICE/DPW BUILDING
 JUNE 30, 2008

<u>Date</u>	<u>Principal Payment</u>
7-01-08	\$10,750
7-01-09	<u>10,750</u>
	<u>\$21,500</u>

This is an interest free contract.

3-06-09	\$ 6,264
3-06-10	<u>6,768</u>
	<u>\$13,032</u>

Interest rate is 8.05%



DEMIS and WENZLICK, P.C.

Certified Public Accountants

James Demis, Jr., C.P.A.
LaVearn G. Wenzlick, C.P.A.
Lori S. Chant, C.P.A.
Geraldine Terry, C.P.A.

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Tammy Pappas
David Pullen
Dean Roach
Vicki Schuler
Joyce Simmons
Barbara Wenzlick
Bruce Wenzlick

Members of the Village Council
Village of Lennon, Michigan
Shiawassee and Genesee Counties, Michigan

Uniform Chart of Accounts

All local units in Michigan are required to use the Uniform Chart of Accounts for Counties and Local Units of Michigan. The purpose of the uniform chart of account is to provide a means for recording the local unit's financial transactions in the general ledger system in a consistent manner. Consistent recording of transactions is important for the accurate preparation of the financial statements.

The Village of Lennon uses account names, however, it does not use account numbers. We recommend the Village incorporate account numbers into its accounting system.

Budget

The State Revenue Sharing Distribution Law, P.A. 176 of 1980, includes a compliance requirement in budgeting. It is important under this act that expenditures do not exceed the budget. Expenditures include accounts payable at June 30. Budgeted expenditures cannot exceed budgeted revenue plus the beginning fund balance. During our audit we noticed certain expenditures exceeding budgeting amounts. Care should be taken that expenditures do not exceed the budget. Amendments, if any, must occur before June 30.

We wish to thank the board for the excellent cooperation we received in performing the Village audit. If we can be of assistance to the Village in implementing any of the above recommendations, please contact us.

Sincerely yours,

Demis and Wenzlick, P.C.

DEMIS AND WENZLICK, P.C.
Certified Public Accountants